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RUEHUL/AMEMBASSY SEOUL 5620
RUEHLO/AMEMBASSY LONDON 2437
RUEHFR/AMEMBASSY PARIS 6531
RUEHGP/AMEMBASSY SINGAPORE 7402
RUEHOT/AMEMBASSY OTTAWA 9824
RUEHNAG/AMCONSUL NAGOYA 1936
RUEHNH/AMCONSUL NAHA 6672
RUEHOK/AMCONSUL OSAKA KOBE 8138
RUEHFK/AMCONSUL FUKUOKA 4337
RUEHKSO/AMCONSUL SAPPORO 4866
RUEHHK/AMCONSUL HONG KONG 6784
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SENSITIVE
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STATE FOR EAP/J, EEB/TRA
PASS TO USTR FOR AUSTR CUTLER AND M. BEEMAN
PASS COMMERCE FOR K. ROTH AND D. BARZDUKAS

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TAGS: [EIND](#) [ETRD](#) [PREL](#) [WTRO](#) [JA](#)
SUBJECT: JAPAN TAKING WAIT-AND-SEE APPROACH TO GM BANKRUPTCY

SENSITIVE BUT UNCLASSIFIED. CONTAINS PROPRIETARY
INFORMATION.

¶1. (SBU) SUMMARY: Japanese officials and auto industry representatives expressed concern at the announcement of General Motors' bankruptcy, but not alarm. Ministry of Economy, Trade and Industry (METI) Minister Toshiro Nikai pledged unspecified financial support for Japanese small and medium-sized manufacturers affected by GM's situation, but METI and Ministry of Foreign Affairs (MOFA) officials downplayed the Minister's reported statement and said the GOJ does not see a need for specific action at the moment. While the GOJ has been monitoring the situation in the auto sector for months, working level officials report they do not see a serious impact on Japanese automakers. The head of GM's Japanese unit said the firm will continue operations in Japan, while competing automakers and auto parts manufacturers expressed hope for a quick rebound of the U.S. auto industry. END SUMMARY.

NEGLIGIBLE IMMEDIATE IMPACT; SOME CONCERN FOR
PARTS MANUFACTURERS

¶2. (SBU) Neither GM nor rival auto manufacturers forecast a direct, immediate impact on operations in Japan as a result of GM's formal Chapter 11 filing and restructuring announcement. General Motors Asia Pacific (Japan) President Rick Brown told a press conference the firm will continue operations as before under the new GM parent company and that the Japan unit anticipates no layoffs. Brown added the restructured GM will retain a joint-venture in Canada with Japanese automaker Suzuki Motor Corporation. According to media reports, Suzuki's President and CEO, Osamu Suzuki, stated he expects the bankruptcy filing's impact to be limited. (Note: According to GM headquarters' June 1 press release announcing the Chapter 11 filing, none of GM's operations outside the U.S. are included in the U.S. court

filings or court-supervised process. End note.)

¶3. (SBU) Toyota Motor Corporation President Katsuaki Watanabe reportedly said his firm will continue to operate the New United Motor Manufacturing Incorporated (NUMMI) joint-venture in California with GM and that Toyota would consider assisting GM if requested. Toyota's America's Project Division General Manager Hiroyuki Fukui also told Consulate Nagoya his firm has talked with GM about the future of NUMMI, which employs about 5,000 people, and agreed to continue the joint-venture. The President of Isuzu Motors Ltd., which produces light trucks for GM North America on a contract basis as well as diesel engines and cabin components, made a similar offer of support in a statement to the media.

¶4. (SBU) Some media attention in Japan has focused on the fate of auto parts manufacturers who serve GM. An analysis by a U.S. research firm reportedly found approximately 60 percent of the 158 firms that supply GM also supply Japanese automakers. Makoto Aikawa, Sales and Marketing Deputy General Manager at Denso Corporation, Japan's largest auto parts manufacturer, told Consulate Nagoya his firm hopes GM will be reborn as a leaner, albeit smaller, company. Denso, which has about USD29 million in accounts receivable with GM and is listed among GM's top fifty creditors, will proceed with the Critical Vendor Program that will be implemented following the Chapter 11 filing. Aikawa also said he is concerned about potential protectionism that could develop in the U.S. that would encourage consumers to buy only products

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manufactured in America by genuinely "American" firms. He noted Denso wishes to continue business with GM and has manufacturing plants in the U.S.

¶5. (SBU) Separately, Honda External Affairs Division Deputy General Manager Naoto Muraoka told emboff Honda does not anticipate a significant impact on its operations; the vast majority of Honda's suppliers are separate from GM. Muraoka also expects the industry will recover from its current problems, albeit slowly.

GOJ MONITORING THE SITUATION

¶6. (SBU) According to media reports, METI Minister Nikai stated June 1 the GOJ is prepared to use public funds to support Japanese small and medium enterprises affected by GM's bankruptcy. A METI automobile division official later told emboff Nikai's statement was an off-the-cuff comment to reporters. She claimed that if the need becomes apparent, the GOJ will provide support to Japanese firms struggling with cash flow problems due to the GM bankruptcy. METI has been monitoring the situation and exchanging information with Japanese auto-related companies since last fall, the official said, but to date METI has not received negative reports from Japanese industry. The official does not anticipate a serious impact on Japanese automakers.

¶7. (SBU) Separately, a MOFA Second North America Division official told emboff Nikai's statement was likely an unofficial rendering of official press guidance that the GOJ will "continue to look into the situation and deepen our examination in order to avoid disorder or confusion in Japanese auto and related industries." The official added Nikai's comment apparently surprised officials within METI as well.

¶8. (U) Consulate Nagoya contributed to this cable.
ZUMWALT